DOCUMENT RESUME

ED 399 849 HE 029 481

AUTHOR	Pickens, William
TITLE	Financing the Plan: California's Master Plan for Higher Education 1960 to 1994, Report 95-1.
INSTITUTION	MGT of America, Inc., Tallahassee, FL.
SPONS AGENCY	California Higher Education Policy Center, San Jose.
PUB DATE	May 95
NOTE	64p.
AVAILABLE FROM	California Higher Education Policy Center, 160 West Santa Clara Street, Suite 704, San Jose, CA 95113 (free).
PUB TYPE	Viewpoints (Opinion/Position Papers, Essays, etc.) (120) -- Statistical Data (110)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Economic Factors; *Educational Planning; Financial Exigency; Financial Policy; Financial Problems; *Higher Education; Long Range Planning; *Master Plans; Public Colleges; *State Aid; Statewide Planning; Trend Analysis
IDENTIFIERS	*California

ABSTRACT

This report identifies and discusses some key findings of a data base project that analyzed public finance of public education over 35 years in California. It seeks to understand the relationship between state policy, as expressed in the Master Plan for Higher Education, and financial support of higher education. Among findings highlighted are the following: the share of state appropriations for the state institutions are similar in 1990 as in 1960; state funding per student kept pace with funding in other states but increased substantially when compared with other sectors of the economy; enrollment levels have been decoupled from funding; faculty salaries lag behind those at comparable institutions; and student fees have increased at very high rates. Unlike earlier crises in public higher education finance, the crisis of the 1990's appears not to be cyclical and it is not likely that an economic recovery will relieve pressure on state and higher education budgets. Facing continuing fiscal stringency, a new world economy, rapidly changing technologies, and a larger and more diverse population, the state must reestablish the link between the budget and new policies but new policies must be addressed first. (JLS)

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FINANCING THE PLAN

California's Master Plan for Higher Education 1960 to 1994

A Report From

THE CALIFORNIA HIGHER EDUCATION POLICY CENTER

May 1995

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FINANCING THE PLAN

California's Master Plan for Higher Education 1960 to 1994

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A Report Prepared for
The California Higher Education Policy Center

May 1995

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Foreword

How has California financed its commitments to higher education over the three and a half decades since the Master Plan for Higher Education was adopted in 1960? How did the state's higher education finance policies respond to past recessions, taxpayer revolts and revenue shortfalls? How has the crisis in state finance of the 1990s differed from earlier economic downturns, in terms of its effects on higher education and the responses of state policy?

To address these and related questions, the California Higher Education Policy Center asked William Pickens, a nationally respected expert on state higher education finance and an authority on California higher education, to construct a longitudinal data base on the public finance of higher education over the last 35 years. The data base compares sources of income and general areas of expenditure for the University of California, the California State University, the California Community Colleges, and the California Student Aid Commission. The data base includes all the major categories of revenue for the institutions, with special focus on state and student support for current operations, as well as funding for capital outlay in the four-year segments. Since the premise of project is to better understand statewide issues and to provide comparisons between the segments, the data base contains only totals for each of the segments and the state's Student Aid Commission, and does not provide separate campus budgets. Perhaps the most useful element of the data base will be its "Key Indicators and Ratios," which were developed from the raw data in order to track significant changes over time.

The most important finding is that the 1960 Master Plan has become irrelevant as an operational framework for the public finance of higher education.

This report, also written by William Pickens, provides an interpretative essay that identifies and discusses some key findings of the data base project. The most important of these is that the 1960 Master Plan has become irrelevant as an operational framework for the public finance of higher education. As Pickens reports:

> *The reality is that funding for higher education, once predicated heavily upon the Master Plan's fiscal elements, now operates within a framework of constitutional and statutory provisions which are unrelated to the Plan or have simply taken practical precedence over it. (p. 21)*

In describing the present lack of policy direction with regard to higher education in California, the report confirms findings in earlier Center reports (see *Public Policy by Anecdote, The California Higher Education Policy Vacuum,* and *A State of Emergency*). The report also provides a broad understanding of the complex intersection between state policy and state budgeting over a 35 year period. Since 1990, key promises in the California Master Plan for Higher Education have been abandoned with little policy discussion about appropriate public priorities. And after several years of the ensuing "policy vacuum," there is currently no planning or process in place to develop or reestablish a policy framework, set state priorities, or link public policy goals to financial policy. This problem goes beyond the harsh budget realities of recent years. It might have been expected that financial constraints would have resulted in *more*, rather

than less attention to the setting of public priorities and the linkage of available resources to those priorities through the state budget. Instead, what has occurred is an abdication of policy leadership.

This report, in discussing two earlier fiscal crises for higher education in California (one lasting from 1970 to 1974 and the other from 1978 to 1984), notes that with one exception, fiscal measures showed recovery to pre-crisis levels of funding within two to seven years. During each of these prior crises, although limited state resources required that several of the fiscal commitments be suspended or adjusted (for example, low or no salary increases or unidentified budget reductions), the overall state policies of access and opportunity remained intact. Public colleges and universities were given discretion over the management of tight budgets within the overall framework of the Master Plan, particularly the state's commitments to access.

The crisis of the 1990s differed significantly from those in earlier years because during this crisis, virtually all the fiscal linkages established by the Master Plan were suspended. The Governor and Legislature have only recently begun inching away from the "block grant" funding approach used for higher education since the early 1990s. While there are now modest expectations for increased enrollment, the approach currently used to fund higher education in California requires little in terms of the number of students served or the quality of education provided. In general, enrollment levels have been decoupled from funding, faculty salaries lag behind those at comparable institutions, and student fees have increased at astronomical rates. Unlike in earlier crises in public higher education finance, there is little reason to believe that the crisis of the 1990s is cyclical or that economic recovery will relieve pressure on state or higher education budgets.

The methodology used by Pickens is instructive. His approach in describing the financial resources available to public colleges and universities is more realistic and straightforward than those currently used in most state policy deliberations. His measure of total resources per student places less emphasis upon the sources of revenues (for example, state appropriation or student fees) and focuses, instead, on the total revenues available to higher education. This approach takes into account replacement revenue—the increase of student fees to replace state support. It also provides public policy makers with a comprehensive picture of the effects of budget cuts: specifically, the shifts in financial responsibility from the public to students, and the changes in productivity of public colleges and universities. For example, one (though not the only) measure of productivity is total revenues per student. Using this measure, Pickens' data show that, at a time of increased pressure for productivity improvements in the public sector and in higher education, the California State University has actually increased its revenues per student in the 1990s (in inflation adjusted dollars), which represents a decrease in productivity. This was achieved by the combination of steep increases in student charges and deliberate enrollment reductions.

Facing not only continuing state fiscal stringency, but also the implications of a new world economy, rapidly changing technologies, and a larger and more diverse population, the state must reestablish the link between the budget and new policies for higher education. But the policies—and this is critical—must be addressed first. Unless the state, the institutions and the public explicitly reaffirm the overarching policy goals of access and opportunity, no budgetary tinkering will set an appropriate course for California's future.

The Center encourages discussion and debate about the findings and policy implications raised in this and other Center reports. Information about ordering the data base described in this report can be found on the final page of this document.

Joni Finney
Associate Director

Things fall apart, the poet Yeats wrote about the human condition. "The centre cannot hold [and] mere anarchy is loosed upon the world" (*The Second Coming*, 1922).

Since 1960, the centre of state policy for California's colleges and universities has surely been the Master Plan for Higher Education. "[T]he unique and timeless foundation for postsecondary education," a blue-ribbon commission on higher education wrote about the plan in 1987 (CPEC 1993b, Transmittal Letter). A legislative committee then characterized it as "widely regarded as the world's model for comprehensive planning" (Joint Committee 1989, p. 2). A prestigious team of international investigators concluded in 1989 that the Master Plan "is recognized throughout the . . . world as a bold blueprint of providing universal postsecondary educational opportunity." The Master Plan is, they believed, "the most advanced effort through state action to organize mass higher education . . . while maintaining a quality of research and education . . . unsurpassed anywhere among OECD [Organization for Economic Cooperation and Development] countries and probably in the world . . . ." (OECD 1989, pp. 9, 25). At the end of the 1980s, California's Master Plan for Higher Education stood as an example of the state's most successful public policies.

But the Master Plan's recent fortunes remind us of Yeat's warning that all human institutions can crumble. "The covenant of the Master Plan is being undone," the State Assembly's Committee on Higher Education complained in April 1993 (Committee on Higher Education 1993, p. 2). The Master Plan should be scrapped, a former director of California's Department of Finance bluntly told a meeting of the UC Regents and CSU Trustees in October 1993.

The Master Plan's recent fortunes remind us of Yeat's warning that all human institutions can crumble.

What has happened over these few years? What is "being undone"? Is California's recession alone to blame for the Master Plan's troubles? Is higher education's charter viable only during good times? Surely these are questions worth considering about a plan whose success was so loudly proclaimed for thirty years and so universally affirmed such a short time ago.

Financial Dimensions

This report focuses on the financial dimensions of California's Master Plan for Higher Education since 1960 (excluding, unfortunately, capital construction finance because of space limitations). In particular, this report seeks to understand the relationship between state policy and the financial support of higher

education in California. There are many ways, no doubt, to study this relationship. One is through statutes, concurrent resolutions and other actions by the Legislature and Governor—prime sources for understanding what was done through official proclamation. Another way is to examine higher education as a subject in legislative reports, Master Plan studies, scholarly reviews, and agency publications. These materials are rich and extensive, and this analysis does not aim to add to them.

This report explores the financial dimensions of state policy from a perspective provided by official revenue and expenditure data for higher education since the 1960 Master Plan.

This report, rather, explores the financial dimensions of state policy from a perspective provided by official revenue and expenditure data for higher education since the 1960 Master Plan. In order to provide this analysis, The California Higher Education Policy Center has developed a fiscal data base that includes annual revenues and expenditures since 1958. The data are especially helpful in answering the following questions:

- *What are the most significant long-term trends in financing institutions of higher education since the Master Plan?*
- *How have earlier fiscal crises affected the Master Plan's commitments?*
- *Has the fiscal crisis of the 1990s destroyed the Master Plan?*

California's Master Plan for Higher Education

What is this famous Master Plan? Certainly it includes concepts in the 1960 report and the partial codification of its recommendations in the Donahoe Act of 1961. In a purely legal sense, the Master Plan also includes statutes enacted since 1961, including the most recent reforms and mission definitions of 1989 (CPEC 1993b, pp. 3-4.). Perhaps more importantly, California's Master Plan fostered widely accepted expectations for higher education: social mobility, affordability, high quality, work-force preparation, contributions to economic development, and cooperation among institutions to serve students.

Under the Master Plan, higher education consisted of a public "sector" (the three public "segments": the University of California, the California State University, and the California Community Colleges) and an independent "sector" (those colleges and universities controlled by private organizations). To accomplish its policy, the Master Plan offered a tripartite commitment among the public, the institutions of higher education, and state government.

The people were offered the promise, stated unambiguously, that an *undergraduate* "space" for every qualified California adult would be available, despite relatively high initial entrance requirements for public four-year institutions (*Education Code*, Section 2251).

The colleges and universities were offered the promise that the state would support a first-rate system of public higher education, with faculty among the country's best and with facilities and equipment second to none among public colleges and universities. Private institutions were offered a state program of student financial aid, to insure that needy students could pursue an education there.

The state was offered an orderly system of higher education where institutions had clear missions and delineations, where planning in the public interest (rather than special interests) would determine the location of new facilities, and where the institutions would cooperate to achieve important public purposes as these emerged and changed over time.

Fiscal Understandings of the Master Plan

But the Master Plan's central policy and its tripartite commitment had no chance of success without certain *fiscal* elements—under-

standings if you will—to provide clear and continuing support. The 1960 Plan itself contained these promises:

- A space for every undergraduate student would be available.
- No tuition (payment for the cost of instruction) would be charged California residents.
- Students should be charged low fees, only for "auxiliary services" (the Plan's term).
- Each segment would be funded for its particular mission and should strive for excellence among colleges or universities with that mission.
- Initial access to higher education would be primarily through the junior (later called community) colleges.
- The University of California would be the state's principal academic agency for research and advanced graduate and professional education.
- Student financial aid would be provided to allow students to choose a private institution.

Over the years, other important elements with fiscal implications were added to California's Master Plan:

- Faculty salaries at public universities should be set in comparison with similar public and private institutions.
- Special assistance should be provided for disadvantaged students, for people from under-represented groups, and for those with special needs.
- Educational opportunities would be geographically convenient.
- Wages and working conditions could be established through collective bargaining.
- Community colleges should be located throughout the state but remain locally governed and financed.

With these fiscal elements in mind, we now turn to the state's financial framework for higher education, the most significant trends in institutional finance, and the comparison between California's recent fiscal crisis and ones earlier. Whether the current crisis has destroyed California's Master Plan for Higher Education will be our final topic.

The State's Framework for Support of Higher Education

Support and Subsidies for Higher Education

Before considering state policies for finance, it is important to remember that the government provides *subsidies* as well as direct *support*. California provides state support through *appropriations* only to public institutions, for both operating expenses and capital outlay. But the state also subsidizes these public institutions through grants to leverage resources from others ("seed money" for obtaining federal research dollars at the University of California), through the authorization to charge student fees and tuition, and through tax exemptions for property and commercial transactions related to education. The state also provides *subsidies* to private colleges and universities, by making financial aid available for their students and by providing them with tax exempt financing for academic facilities. When support *and* subsidies are added together, the State of California's financial contribution to higher education is considerable indeed.

Important State Policies for Support of Higher Education

Higher education covers a wide range of activities—teaching, research, public service, athletics, and commercial activities. The State of California has chosen to provide taxpayer revenues only for certain activities—primarily instruction and related activities (such as libraries and computer centers), student services (admission, counseling), administration of the educational program, operation and maintenance of the physical plant, and some student financial aid. The state has also chosen to provide funds for activities in one segment and not the others, based on differences in their missions (research at the University of California and "adult education" at the community colleges). Generally, the state's support has come through direct appropriations of "General Funds" to the public segments and to students (financial aid), through the authorization for the public segments to impose student fees, and through bonds for capital outlay.

The Most Significant Trends in Higher Education Finance

Core Measures

The California Higher Education Policy Center's fiscal data base includes revenues and expenditures for every year from 1958 through 1994 (a description of the data base appears in Appendix One). Though extensive, the data were intended to be used to analyze *state* policy for higher education, and so contain only totals for the segments and the state's Student Aid Commission, not campus budgets.

In their raw form, however, the revenue and expenditure data are not terribly helpful for analyzing state policy and institutional finance. First, some measures need to take size into account by dividing revenues or expenditures by the number of students. Then, some measures need to take the impact of inflation into account, by showing "constant dollars" which eliminate increases solely from rising prices. In the data base, the sections titled "Key Indicators and Ratios" reveal useful measures to analyze the raw data. In these sections, enrollment is expressed in terms of "full-time-equivalent" measures, the standard way of calculating support for budgetary purposes. The Higher Education Price Index (HEPI) and the Consumer Price Index (CPI) are used to account for inflation, and they are explained in Appendix One. Finally, for the purposes of this report, the "core measures" listed in Table One were selected as most important for analyzing policy over time.

There is no single "core" measure which best evaluates public policy or institutional priorities. Rather, a variety of measures should be taken into account since, together, they often convey a strong sense of direction. The interaction of these measures provides a rich perspective on the role of direct state support and shifting priorities in the overall financing of higher education, especially because certain measures—general revenues per FTES in particular—include revenues from student charges since the Master Plan's origin (see the caveats concerning *all* fiscal analysis in Appendix One).

Trends from 1960 to 1990

In order to isolate the recent experience of fiscal crisis, those trends from 1960 to 1990 were studied first, followed by an examination of the most recent years. Appendix Two displays the core measures for public higher education, and the proportion of Cal Grants for the independent sector, over the three decades since the 1960 Master Plan. Several conclusions from these years are important.

(a) The share of state appropriations for the three public segments was much the same in 1990 as in 1960.

Although state General Funds for the three public segments grew enormously between 1960 and 1990 (from $220 million to $5.6 billion), the percentage of state General Fund *expenditures* committed to them changed very little, increasing (as Table Two reveals) from 12.26 percent to 13.94 percent. This stability came despite massive shifts in property taxes and substantial increases in non-state support for all three segments, especially the University of California. However, the percentage of state expenditures shifted substantially among the segments: the Community Colleges' pro-

Summary of Core Measures

	UC and CSU	*CCC*
Enrollment	Full-Time-Equivalent Students (FTES)	Units of Average Daily Attendance (ADA) and Full-Time-Equivalent Students (FTES)
Revenues	State General Funds per FTES Adjusted for Inflation Since 1960 General Revenues per FTES (State Gen. Funds & Student Revenues) Adjusted for Inflation Since 1960 State General Fund Appropriations as a Percentage of Total State General Fund Expenditures	Total Income per ADA Unit Adjusted for Inflation Since 1960 Current Expense of Education per ADA Unit* Adjusted for Inflation Since 1960 State General Fund Appropriations as a Percentage of Total State General Fund Expenditures
Instructional Expenditures	Instructional Expenditures per FTES Adjusted for Inflation Since 1960 Instructional Activities as a Proportion of State Support	Instructional Expenditures per ADA Unit Adjusted for Inflation Since 1960 Instructional Activities as a Proportion of State, County and Local Revenues
Student Financial Aid	The Proportion of Cal Grants Provided to Each Public Segment The Proportion of Cal Grants Provided to the Independent Sector	

* "Current Expense of Education" (CEE) was chosen as a core measure because it is the most consistently defined measure of resources for the educational and general activities of the community colleges. By law (Education Code 84362(c)), its components are certificated salaries, classified salaries, employee benefits, supplies and material for general purposes, and other operating expenses. For more information on this measure, see Appendix Six, California Community Colleges, "Notes on Expenditures."

portion grew considerably while the proportion provided to the University of California fell.

TABLE TWO

The Public Segments' Proportion of State General Fund Expenditures

	1960/61	*1989/90*
UC	7.20%	5.26%
CSU	4.08%	4.14%
CCC	0.98%	4.54%
Total	12.26%	13.94%

(b) The state's funding per student kept exact pace with funding of higher education in other states but increased substantially when compared with other sectors of the economy.

Table Three shows that, despite fluctuations in annual funding and the traumas of Proposition 13 and periodic recessions, the state's commitment of its General Funds per student in all three segments remained exceptionally stable through 1990, when the figures are adjusted by the Higher Education Price Index (HEPI). This indicates that the Califor-

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nia institutions remained almost exactly equal in state General Fund purchasing power when compared to other colleges and universities around the nation, since that is what the HEPI measures.

When per-student General Funds are adjusted for changes in the Consumer Price Index (CPI), however, a different picture emerges. Since the CPI rose less than the HEPI over these thirty years, the three segments experienced considerable real growth in CPI-adjusted, per-student revenues, ranging from +27 percent to +41 percent. The same conclusion emerges when per-student General Funds are measured by the Gross Domestic Product Deflator, the overall measure of prices throughout the U.S. economy (see Appendix One for a comparison of these measures).

(c) The long-term trends in per-student support are not smooth or even.

Per-student support between 1960 and 1990 looks more like a giant roller coaster rather than a gradual ascent. For instance, the increases in per-student support by state General Funds came *only* because of a few years of large per-student growth in California during the 1970s and 1980s. For example, take away per-student state funding growth for the University of California in fiscal years 1973, 1976, 1977, 1981, 1985 and 1986, and the thirty-year, per-student funding measures for that segment would be quite negative. If the few "boom" times are removed from the series for all public segments, higher education in California declined in per-student funding between 1960 and 1990—even before the

TABLE THREE

Selected Core Measures of Operating Budgets for Public Higher Education

(1960-61 to 1989-90)

	1960/61	*1989/90*	*% Change*
University of California			
State General Funds per Student (FTE)			
Adjusted by HEPI*	$ 2,497	$ 2,470	-1.1%
Adjusted by CPI*	$ 2,497	$ 3,181	+27.4%
California State University			
State General Funds per Student (FTE)			
Adjusted by HEPI*	$ 992	$ 1,088	+9.7%
Adjusted by CPI*	$ 992	$ 1,401	+41.2%
California Community Colleges			
Total Operating Income† per Student (ADA)			
Adjusted by HEPI*	$ 611	$ 644	+5.4%
Adjusted by CPI*	$ 611	$ 830	+35.8%

* Why use two measures of inflation? The Higher Education Price Index (HEPI) measures cost increases due solely to being in the business of higher education and places a heavy emphasis on the trends of faculty salaries nationwide. The Consumer Price Index (CPI) measures cost increase of goods and services to individuals, but parallels generally the U.S. economy's inflation rate as a whole. The HEPI is the better measure for the markets which institutions of higher education must compete in; the CPI is the better measure for comparing higher education's price changes to those in the overall economy.

† Includes local revenues such as property taxes. Throughout this essay, the "state" contribution to the community colleges is assumed to include property taxes since these have been an important element in their funding from the beginning.

Source: Appendix Two.

TABLE FOUR

Instructional Expenditures at CSU and CCC

	*1963/64**	*1989/90*	*% Change*
California State University			
Instructional Expenditures per Student (FTE)	$ 771	$ 4,194	+444.0%
Adjusted by HEPI	$ 771	$ 852	+10.5%
Adjusted by CPI	$ 771	$ 1,018	+32.0%
Instructional Expenditures as a Proportion of State General Fund Revenues	73.7%	70.1%	N/A
	1960/61	***1989/90***	***% Change***
California Community Colleges			
Instructional Expenditures per Student (ADA)	$ 334	$ 1,714	+413.2%
Adjusted by HEPI	$ 334	$ 312	-6.6%
Adjusted by CPI	$ 334	$ 401	+20.1
Instructional Expenditures as a Proportion of State and Local Revenues	50.1%	47.8%	N/A

* Earliest year available. Excludes extension and non-state-funded summer sessions.

Source: Appendix Two.

current recession. Likewise, the years of funding crises (to be described later) involved large losses in per-student state support. Overall, the years between 1960 and 1990 represent a history of abrupt, annual changes in state resources for the public segments of higher education.

(d) Expenditures per student for instruction have grown in public higher education but not as a proportion of state appropriations in two of the three segments.

State policy has always emphasized *instruction* as crucial to the mission of all public institutions, and the Master Plan declared that "no tuition" should be charged resident students to pay for it. As a result, changes in instructional expenditures over time are important, though very difficult, to evaluate.

Between 1960 and 1990, the total dollars and inflation-adjusted dollars spent for student instruction grew in the public segments, with the largest increase occurring, ironically, at the state's research segment, the University of California, and smallest in the community colleges.

Measuring instructional expenditures for the California State University and the California Community Colleges is reasonably straightforward since instruction is their primary mission and its financing does not involve other complications, as it does for the University of California. Therefore, Table Four presents instructional expenditures per student and the proportion of state appropriations spent for instruction only for Cal State and the community colleges.

The data in Table Four reveal a mixed pattern of instructional expenditures. When measured by the CPI, both Cal State and the community colleges spent considerably more resources per student on instruction in 1990. But when expenditures are adjusted by the HEPI, which is heavily influenced by faculty salaries nationwide, the changes are less dra-

matic: Cal State increased its expenditures by 10.5 percent per student while the community colleges in 1990 were 6.6 percent below the 1960 level. The proportion of instructional expenditures from total state appropriations fell slightly over the years for both these segments. It is interesting to note that the *proportion* of state appropriations spent for instruction is higher at Cal State than at the community colleges (including property tax revenues), though some of this difference relates to accounting practices.

It is not valid to compare expenditures for instruction at the University of California directly with the other segments because departmental research, the university's exclusive mission among the public segments, is funded in the same category as instruction (the separate categories "Organized Research" and "Agricultural Extension" are not included here). Table Five reveals that expenditures for instruction and departmental research increased significantly at the University of California between 1960 and 1990.

Is the increase represented in Table Five an accurate measure of the university's resources devoted to instruction alone, or to undergraduate instruction? Not really, since the funding category includes large portions of time for research, and the state's funding formulas simply added faculty dollars as enrollment grew but did not necessarily add classroom contact hours proportionately. It does appear reasonable to conclude, however, that the university was spending at least as much of its state resources for instruction per student in 1990 as it was in 1960.

(e) Trends by decade using per-student data show that several popular impressions about higher education finance are wrong.

Investigating the state financial patterns using per-student data, rather than relying only on total revenues, reveals that some popular impressions about each decade are wrong. The sixties are remembered as the decade of grand visions from the Master Plan and booming times for higher education. Governor Pat Brown is hailed as the architect of the modern system.

But inflation-adjusted, per-student finances tell a different story. Certainly, the decade saw several new campuses and enormous enrollment growth: all three public segments more than doubled their student bodies as shown in Appendix Two. Dollars poured into these institutions: state funds almost tripled for the University of California and increased by more than threefold for the California State University (then called the California State Colleges).

In terms of *state General Funds per student*, however, the sixties was the worst decade in modern times for the University of

TABLE FIVE

Instructional Expenditures at UC

	1960/61	*1989/90*	*% Change*
Instructional/Departmental Research Expenditures* per Student (FTE)	$ 1,145	$ 7,894	+589.4%
Adjusted by HEPI	$ 1,145	$ 1,435	+25.3%
Adjusted by CPI	$ 1,145	$ 1,848	+61.4%
Instructional/Departmental Research Expenditures as a Proportion of State General Fund Revenues	45.8%	58.1%	N/A

*Excludes extension and summer sessions

Source: Appendix 2.

California, when per-student dollars fell according to both inflation measures. The California State University fared better but still had the lowest measures in the three decades. The reported data show the California Community Colleges as ranking first among the three segments for growth per student, but before the junior colleges were joined under the Board of Governors in 1967, the data are suspect.

The 1970s, by reputation, was a time of stagnation in the financial fortunes of colleges and universities. The decade began with the announcement of "the new depression in higher education" (Cheit 1971) and ended with the surliness of Governor Jerry Brown toward the whole enterprise. But in terms of general revenues and instructional expenditures, the 1970s was the best decade in modern times for the public segments, even though enrollment growth slowed dramatically and the CPI rose in unprecedented leaps (at a rate considerably faster than the HEPI). Even so, the University of California's *general revenues per student* increased by 8.7 percent over the decade using the galloping CPI as deflator, and instructional expenditures (including departmental research) increased by 11.7 percent in (CPI) inflation-adjusted dollars.

During the 1970s, the state colleges became the California State University and Colleges and increased their *general revenues per student* by even more than UC: by 24.3 percent according to the HEPI and 17.2 percent in CPI-adjusted revenues. Instructional expenditures increased in roughly equal percentages.

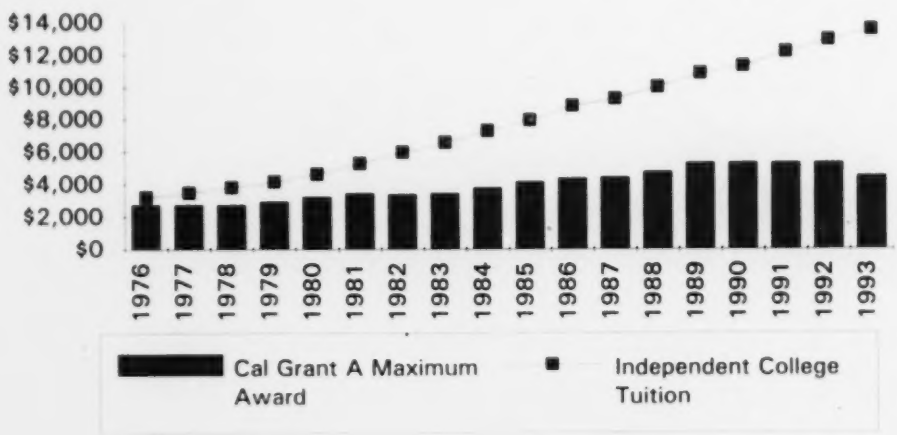
The California Community Colleges fared well, but experienced smaller total income increases per student than the four-year segments, in part because their enrollment growth was largest among the segments and in part because of losses after Proposition 13 in 1978.

The 1980s lost this robustness of per-stu-

FIGURE ONE

Cal Grant A Maximum Awards as a Percent of Average Tuition in Independent Colleges and Universities

(1976 to 1993)



Source: Association of Independent California Colleges and Universities

dent revenue growth, even though inflation fell considerably. Appendix Two indicates that enrollment increased most in the University of California (+21.2 percent) and least in the community colleges (+2.7 percent). Appendix Two also shows that the rate of change in all core revenue measures per student—as measured by the HEPI—decreased substantially by the end of the eighties. With the growth in the inflation adjusted, per-student revenues were positive *only* because of the years 1984/85 through 1986/87. The rest of the decade saw negative annual changes in per student funding by the state for all three segments.

There were other important reversals during the 1980s as well. Cal State fell behind UC in the rate of change for every core measure for the first decade since the Master Plan, suffering an 8.5 percent HEPI-adjusted decline of state General Funds per student. The total income per ADA of the community colleges fell slightly when measured by the HEPI, as did instructional expenditures per student. Finally, the inflation measures themselves showed a dramatic reversal. As the CPI fell, the HEPI remained high because institutions throughout the nation sought to restore purchasing power to faculty and staff after salaries eroded during the 1970s.

(f) The Master Plan's original purpose of providing student financial aid primarily for private institutions was changed considerably between 1960 and 1990.

Although most student financial aid comes from the federal government or from colleges and universities themselves, the state has played a significant role through its State Scholarship (now Student Aid) Commission. The Master Plan's original purpose for state-supported student aid was clear; it was to assist students who wished to attend independent institutions. Not surprisingly, more than 91 percent of the Commission's grants in 1961 were provided to students in that sector. By 1989, however, the proportion had fallen to 44 percent, a trend which has continued into the 1990s (see Appendix 2D). The number of Cal Grant A awards, which provided coverage for tuition primarily for private institutions, grew robustly from 1970/71 to 1980/81 (doubling from 15,914 to 38,735) but grew hardly at all during the eighties. Figure One shows that the maximum Cal Grant started to fall rapidly behind the average tuition in the 1980s, and by 1990 was less than half of tuition.

This dramatic decline did not result from adopted policy to re-direct funds away from the independent sector. Rather, it was a natural by-product of the state's adding numerous grant programs with purposes other than choice of private institutions. Large increases in student fees in the public four-year segments also drew dollars away: the proportion of total grants for these two segments rose from 8.7 percent to 39.5 percent over the thirty years since the Master Plan.

Appendix Three describes some reasons for these trends over the Master Plan's first thirty years.

Fiscal Crisis and California Higher Education

Years of Fiscal Crisis: State Support During the 1990s

The 1990s brought the most serious downturn in state revenues since the Great Depression sixty years ago. As Table Six shows, General Fund expenditures declined by 3.2 percent from 1990/91 to 1993/94. But the reduction of state General Funds for higher education was *ten times* this decline: almost 19 percent even when the state Student Aid Commission is included. This colossal defunding is the prime reason why the Master Plan's viability has been so universally questioned.

Appendix Four offers a more complete understanding of this fiscal crisis than state appropriations alone. Table Seven summarizes these data and is essential for interpreting state policy for higher education since it adds the dimensions of:

- *Per-student funding*, to show the overall resources available per student;
- *Revenues from student fees*, where increases were enormous;
- *The state's shift of property tax revenues* back to the community colleges, which replaced their General Fund dollars; and
- *The proportion of Cal Grants awarded to students at independent institutions*, which continued to fall.

TABLE SIX

State Appropriations for Higher Education and State General Fund Expenditures

(1990-91 to 1993-94)

	1990/91	*1993/94*	*% Change*
University of California	$ 2,135,733,000	$ 1,793,236,000	-16.0%
California State University	$ 1,653,399,000	$ 1,498,597,000	-9.4%
California Community College*	$ 1,778,397,391	$ 1,182,055,000	-33.5%
Calif. Student Aid Commission	$ 160,663,000	$ 203, 396,000	+26.6%
TOTAL, Higher Education	$ 5,846,960,688	$ 4,677,284,000	-18.3%
State General Fund Expenditures	$ 40.26 billion	$ 38.96 billion	-3.2%

*Total state income minus capital outlay

Source: Governor's budgets and CCC Fiscal Data Abstracts

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TABLE SEVEN

A. Percentage Change in General Revenues Per Student (1990-91 to 1993-94)

	UC	CSU	CCC
Percentage Change in General Revenues* per Student (FTE)	-0.08%	+12.07%	+3.09%
Adjusted by HEPI	-9.59%	+ 2.13%	- 6.08%
Adjusted by CPI	-9.33%	+ 2.42%	- 5.75%

B. Proportion of Cal Grants Awarded to Students at Independent Institutions (1990-91 to 1993-94)

	1990/91	1993/94
Proportion of Cal Grants Awarded to Students at Independent Institutions	41.98%	31.24%

* Includes state General Funds, systemwide student fee revenues, non-resident tuition, and, for the community colleges only, property taxes.

Source: Appendix Four

"General Revenues," as defined here, are a much more realistic measure of the resources for higher education than are state General Funds alone. To be sure, a long-term perspective using *"General Revenues per student"* has many frustrating complications for analysis. For example:

- The research and graduate/professional portion of the university's expenditures has grown substantially since 1960, much of which is funded from "General Revenues" but directly affects a relatively small number of students.
- A rapidly growing proportion of "General Revenues" from student fees at UC and CSU are committed to internally distributed student financial aid.

Despite these complications and some potential for misleading conclusions over the long term, "General Revenues" as defined here, should *always* be one measure in analyzing the trends of public finance for higher education in California.

What caused these substantial differences in per-student funding among the segments? Clearly, enrollment changes played a major role. During the 1990s, FTE students decreased slightly at the community colleges, though with sharp spikes up and down. Since 1990, the number of FTE students declined by 2 percent at the University of California and by 11 percent at the California State University. This generated an actual *increase* in general revenues of 12 percent per student at Cal State before inflation and an increase of 2 percent per student (using the HEPI) even after inflation.

This colossal de-funding is the prime reason why the Master Plan's viability has been so universally questioned.

Why is the pattern of general revenues per student so different than the percentage change in state appropriations for higher education? Without doubt, the most significant reason is the large increase in student revenues from 1990/91 to 1993/94, as shown in Table Eight.

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A Focus on Fiscal Crisis: The Master Plan During Hard Times

Since the 1960 Master Plan, the State of California has suffered three fiscal crises and a massive dislocation from Proposition 13's reduction of property taxes. The early 1970s saw state revenues turn down, and funding cuts followed for the University of California and the California State University (then called the California State Colleges). The late 1970s required a major adjustment for the loss of 60 percent of the community colleges' property tax revenues, followed by a recession-induced decline in state revenues through 1983. From 1990 through 1993, state government faced its most serious downturn in revenues since the Great Depression, caused by the nation's recession and defense cutbacks.

To fully understand the dimensions of the recent fiscal crisis, it is helpful to examine the state and institutional responses to each of the earlier crises and evaluate their effects on the Master Plan's fiscal elements.

As shown in Appendix Five and summarized in Table Nine, the University of California and the California State University recovered from the first two crises quickly, in terms of the "core measures"; the fiscal framework of the Master Plan was kept well intact. The California Community Colleges were not particularly influenced by the 1970 recession because property taxes, their major funding source, continued to increase during those years.

Proposition 13 and the second recession, however, created a crisis far more severe for the California Community Colleges. The community colleges have *never* returned to their pre-Proposition-13 levels for "Total Income" per ADA nor for their "Current Expense of Education" per ADA, a measure defined in statute. State-determined student charges were

TABLE EIGHT

General Revenues for the Three Public Segments of Higher Education

1990-91 to 1993-94 (Dollars in Millions)

	1990/91	*1993/94*	*% Change*
University of California			
Student Revenues*	$ 330.1	$ 596.5	+80.7%
State General Funds	$ 2,135.7	$ 1,793.2	-16.0%
California State University			
Student Revenues†	$ 314.8	$ 464.5	+47.6%
State General Funds**	$ 1,653.4	$ 1,498.6	-9.4%
California Community Colleges°			
Student Revenues‡	$ 72.3	$ 182.1	+151.8%
State and Local Funds	$ 2,539.8	$ 2,452.1	-0.3%

* This is represented in the Center data base by "Total Resident Student Fees" (registration fees, education fees, and professional student fees) plus "Total Non-Resident Tuition Revenues." For more explanation, see Appendix Six.

† This is represented in the Center data base by "Regular Session Fees" (the "State University Fee") plus "Non-Resident Tuition." For more explanation, see Appendix Six.

** The recent Governors' Budgets have complicated year-to-year comparisons by "rolling forward" large, unexpended sums and reappropriating them. For comparability this number includes unexpended balances in 1993/94.

° State income minus capital outlay plus property tax revenues.

‡ This is represented in the Center data base by "State-Determined Enrollment Fees."

Source: Center data base.

TABLE NINE

Summary of the Effects of Fiscal Crises for Public Higher Education

A. The Crisis of 1970 to 1974 (Recession & Student Unrest)

	Years Before Enrollment Returned to Pre-Crisis Levels	*Years Before Inflation-Adjusted, Per-Student Measures Returned to Pre-Crisis Levels*
UC	3 years	From 2 to 4 years
CSU	Increased throughout crisis	From 4 to 5 years

B. The Crisis of 1978 to 1984 (Proposition 13 and Recession)

	Years Before Enrollment Returned to Pre-Crisis Levels	*Years Before Inflation-Adjusted, Per-Student Measures Returned to Pre-Crisis Levels*
UC	Increased except for 1980/81	Back in 3 years, then dipped for 4 years All measures back in 7 years
CSU	Back in 2 years, increased thereafter	Back in 2 to 3 years, then dipped All measures back in 7 to 8 years
CCC	Back in 3 years, then dipped Finally reached earlier levels in 1988	Never returned to 1978 levels

Source: Appendix Five.

imposed in 1983 for the first time, and their mission was adjusted by the Legislature in the late 1980s.

The crisis of the 1990s differs significantly from the two earlier crises. First, the decline of state General Funds for higher education is unprecedented; these funds in 1993/94 were one-fifth less than in 1990/91. Unlike before, when state General Funds were restored to the University of California and the California State University *after* the fiscal crises, there is no reason to expect a return of state support. Second, the earlier crises do not appear to have affected enrollment much, except temporarily for the community colleges. During the nineties, though, student fees have been increased in every public segment to offset large cuts in state appropriations. This fact, along with "enrollment management" policies, have placed a downward pressure on enrollments.

Community college enrollment in particular has been affected by these fee increases and budget cuts, and Cal State adopted a policy of relating enrollment directly to changes in state funds. In fact, as Table Seven indicated, Cal State implemented this policy to the extent that per-student, inflation-adjusted revenues have actually *increased* through 1993/94 because enrollment fell faster than "General Revenues."

Turning the Corner? The 1994/95 Operating Budget

The state's appropriations for higher education increased in 1994/95, for the first year in

four. Altogether, the public segments and the Student Aid Commission received state appropriations (including property tax revenues) which were 4 percent higher than the year before, and student fee increases at both the University of California and the California State University were held to 10 percent (fees were not increased at all in the Community Colleges).

Does this mean a return to financing higher education "as usual"? No. Despite the recession's end in California, it is unrealistic to believe that the resource levels of earlier times will be restored in the long run. California's revenue-growth prospects are much lower than before, the state carries a substantial deficit into 1995, and sectors such as K–12 and the Department of Corrections will command the lion's share of any increases. It is reasonable to conclude, however, that the fiscal crisis of 1990 to 1994 has ended, or at least entered another phase.

The Viability of the Master Plan

What Role Has the Master Plan Played in Financing?

Since the federal constitution leaves responsibility for education to the states, any state's policy framework for higher education—or lack thereof—will profoundly shape funding for that state's institutions. In this regard, California differs from most other states in two important ways: its Master Plan for Higher Education has strongly shaped missions and enrollment criteria of the state's institutions, and the state constitution prohibits direct appropriations to the private sector.

The Master Plan as an Agreement

The Master Plan's center is an overarching policy of access to high quality institutions of higher education and the opportunity to choose among them. This policy was to be accomplished by guaranteeing that an *undergraduate* "space" would be available for every qualified California adult somewhere in higher education, without charging tuition and at affordable costs. The Master Plan's emphasis was squarely on *initial* access through an entirely open-access, two-year college system with the promise of transfer to a baccalaureate-granting university. To allow choice, campuses would be located conveniently throughout the state, and a state student financial aid agency would promote access to private institutions.

Over the years, the Master Plan's original commitments were broadened. The Legislature added numerous programs to assist disadvantaged students, people from under-represented groups, and others with special needs. Collective bargaining for both faculty and staff was authorized. Californians were promised a first-rate system of public higher education, with faculty among the country's best (with competitive salaries). Facilities and equipment were to be second to none among other public colleges and universities. Students at public institutions came to receive a larger proportion of state student financial aid grants than those at private colleges and universities, the Master Plan's original focus. This is not to say that higher education received every dollar requested or that budgets have always been adequate. But overall, the state has funded higher education in ways that kept these commitments to the institutions. As the leading annual review entitled *State Profiles* shows, California's allocation to public higher education, as a percent of tax revenues, has been among the nation's highest for many years (Halstead 1993, p. 121).

The Master Plan's center is an overarching policy of access to high quality institutions of higher education and the opportunity to choose among them.

On their side, the higher education institutions were required to keep their entrance requirements consistent with the Master Plan's eligibility ratios, and to accommodate *any* qualified student somewhere within the system or "segment" (though not necessarily on the campus or in the program of choice). Each segment was to remain within its mission as defined by the Master Plan, the campuses

were to cooperate to insure an orderly flow of students among themselves, and institutions were to pursue certain state priorities as defined periodically by the Legislature and Governor. Finally, the public segments were expected to strive for national—even international—reputations.

Elements of the Master Plan Evaluated

There is no strictly objective way to determine which elements of the Master Plan have played the strongest role in the history of California higher education. Nevertheless, the Center's data base and the record of thirty-three years provide glimpses into which elements, identified earlier, are most prominent. In descending order of their effectiveness over the Master Plan's history, these elements appear in Table Ten.

Since the early 1960s, the vast majority of increased state appropriations—upwards of 90 percent—have been provided for enrollment

TABLE TEN

Fiscal Elements of California's Master Plan In Descending Order of Effectiveness over the Years

1. **A space for every qualified undergraduate student would be available.**
2. **Faculty salaries at public universities should be set in comparison with similar institutions in other states.**
3. **Initial access to higher education would be primarily through the junior (later called community) colleges.**
4. **Special assistance would be funded for disadvantaged students, and people from under-represented groups and those who have special needs.**
5. **The University of California would be the state's principal academic agency for research and advanced graduate and professional education.**
6. **Wages and working conditions could be established through collective bargaining.**
7. **Educational opportunities should be geographically convenient.**
8. **Each segment would be funded for its particular mission and should strive for excellence among colleges or universities with that mission.**
9. **Community colleges should be located throughout the state but remain locally governed and financed.**
10. **Students should be charged low fees, only for auxiliary services.**
11. **Student financial aid should be provided to allow students to choose a private institution.**
12. **No tuition (payment for the cost of instruction) would be charged California residents.**

increases in all public segments and for salary adjustments in the public four-year institutions. The funding approach toward the University of California and the California State University remained remarkably stable between 1961 and 1990: a fixed student faculty ratio was used to calculate instructional budgets and a methodology for faculty salary comparisons heavily influenced compensation increases, which were adjusted periodically. A very small proportion of additional funds have periodically been provided for specific new programs or special state initiatives. While these certainly command the most attention in legislative debates over the budget, they represent a minuscule portion of funding when compared to the prior year's appropriation and annual enrollment/salary adjustments.

Even during years of budget crisis before the 1990s, this funding approach for the University of California and the California State University remained intact, though the agreements were sometimes "suspended." But even when suspended, another set of understandings was invoked which helped maintain the Master Plan framework:

- *low or no salary increases;*
- *unidentified reductions (rather than changes in the student/faculty ratio); and*
- *increases in student fees.*

When prosperity returned, the Master Plan's fiscal elements were largely re-instated. To be sure, the approach placed highest priority on funding *enrollment* in the four-year segments—even when this required larger "unidentified" reductions in order to provide the funds, at least on paper, for a stable student/faculty ratio.

It is more difficult to characterize fiscal policies regarding enrollment in the community colleges, primarily because they are local institutions with state funds and property tax revenues mixed for each of the dozens of districts. Further, Proposition 13 destroyed the local nature of property taxes, whose revenues were not based at all on enrollment. Overall, though, enrollment funding played a predominant role, especially after Proposition 13, although growth caps in the state budget and funding limits have established the outer levels of state responsibility.

The 1960 Master Plan indicated that any person over the age of 18 who could benefit from instruction could attend a community college. That invitation has been modified slightly over the years, but the formal commitment for funding a broad set of responsibilities continues. Currently, the primary mission of the community colleges is to "offer academic and vocational instruction at the lower division level . . . [through] the second year of college." Beyond this, the community colleges have the "essential and important functions," with public support provided, of remedial instruction in conjunction with school districts, instruction in English as a second language, adult noncredit instruction, and support services to help students succeed at the postsecondary level. The community colleges also have "authorized" functions, including the provision of tuition-supported community services.

Despite these proclamations, the tax support for the community colleges has often lagged behind actual enrollments. From the beginning, the state's financing approach has limited in some way the state's "exposure" for funding rapid increases in enrollment or other college expenses. In part, this was justified by the state government's resistance to providing any division a "blank check." In part, it rested on a suspicion around the capitol in Sacramento, dating back to at least the early 1970s, that the individual colleges' priorities for growth and curricular emphasis did not accord with the state's priorities.

In the past, enrollment beyond the funded formulas has been frequent. For example, in 1988/89 community colleges enrolled almost 20,000 more full-time-equivalent students than the state-level formulas funded, a number which swelled to 60,000 in 1992/93. The statewide chancellor's office indicated that roughly 100,000 enrolled students were unable to obtain their courses in 1992/93 and that roughly half then withdrew altogether (California Legislative Analyst's Office 1993,

p. F-44). Nevertheless, enrollment and general measures of inflation remain the main drivers of community college funding.

Without question, those Master Plan elements that have declined most in importance in the actual implementation of state policy are the ones regarding low student fees, financial aid primarily for private institutions, and the prohibition against tuition. Although relatively low student fees have been the rule (especially in the community colleges and the California State University), revenues from student fees have frequently been used to soften the impact of state budget cuts, starting for UC in the early 1970s, for CSU in the early 1980s, and for the community colleges in the 1990s.

The best evidence for this conclusion involves a long horizon. Table Eleven, which covers 1960 to 1993, identifies the large difference between state General Funds per student compared to "General Revenues" (which include student charges, an increasing proportion of which is used for student financial aid within each segment). Without student charges added to state appropriations, UC would have suffered a decline in revenues (using *either* the HEPI or the CPI adjustment), while CSU would have seen its HEPI-adjusted revenues per student decline. Although student charges for California residents are still referred to as "student fees" and not "tuition" in all three public segments, their current levels and rapidly increasing proportion of the total revenue base make the distinction insignificant. Indeed, the CSU Trustees have urged that these student charges be called "tuition," sweeping away the last remnant of the 1960 Master Plan's injunction against payment for instruction.

The state's support for students in independent institutions has also declined over the long horizon. The maximum Cal Grant to cover tuition in 1970/71 was $2,000. The maximum in 1993/94 was $5,250 in unadjusted dollars, an amount which is worth only $1,426 when adjusted by the CPI, or a 40 percent decline over 23 years. The proportion of total Cal Grant dollars provided to students in the independent sector declined from 73.5 percent to 31.2 percent over those years as well.

TABLE ELEVEN

How Student Charges Have Affected Financing

(UC and CSU)

	Percent Change in Per-Student Revenues (1960/61 to 1993/94)
University of California	
State General Funds	+371.8%
Adjusted by HEPI	-25.8%
Adjusted by CPI	-4.2%
General Revenues (including fees)*	+490.6%
Adjusted by HEPI	-7.1%
Adjusted by CPI	+19.9%
California State University	
State General Funds	+509.5%
Adjusted by HEPI	-4.1%
Adjusted by CPI	+23.8%
General Revenues (including fees)*	+628.6%
Adjusted by HEPI	+14.6%
Adjusted by CPI	+47.9%

* Includes state General Funds, student fees imposed statewide, and non-resident tuition.

Has California's Fiscal Crisis Destroyed the Master Plan?

The answer to this question depends on perspective. On one side, the three public segments of higher education still adhere to most of the Master Plan's tenets,

including maintaining different admission standards, admitting all eligible students *somewhere*, recognizing distinctions about mission, and using the term "student fees" for what is called "tuition" in most states. The independent institutions still look to the state for the Master Plan element of "choice," though they characterize the relationship as *An Uncertain Partnership* (AICCU 1994).

On the other side, the state has, in most ways, abandoned responsibility for *financing* the plan's major elements. Some abandoning has been gradual; over the years, the state has simply played less and less of a role in financial responsibility for public higher education in terms of state appropriations as a percent of each public segment's total expenditures. For independent institutions, the Cal Grant program has withered from being the centerpiece of their student financial aid promise to being one among many, causing it to decline steadily in importance.

The years from 1990/91 through 1993/94 witnessed a virtual collapse of the *state's* fiscal recognition of the Master Plan's elements. Enrollment levels have been decoupled from funding; the higher education segments have been given, in effect, a "block grant." Annually in his budget proposal, the Governor encouraged governing boards to establish reasonable level of student charges to make up for lost state appropriations. For the UC and CSU segments, faculty salaries lagged roughly 10 percent behind those at comparable institutions, but this fact is no longer observed along with official promises, as were common earlier, about eliminating the disparity at some point.

The real difference between the fiscal crisis now and ones earlier is that the Master Plan has had almost *no* role in the state's framework for making important budget decisions, beyond obligatory reference. The reality is that funding for higher education, once predicated heavily upon the Master Plan's elements, now operates within a framework of constitutional and statutory provisions which are unrelated to the Master Plan or have simply taken practical precedence over it: Proposition 13 (property tax limitations), Proposition 4 (the Gann "expenditure" limit), Proposition 98 (the funding guarantee for schools and community colleges), lottery revenues distributed only on the basis of enrollment, constitutional autonomy for the University of California, school-district-type governance for the community colleges, and several other higher priorities for state expenditures (Rodda 1992, pp. 10-12).

The real difference between the fiscal crisis now and ones earlier is that the Master Plan has had almost *no* role in the state's framework for making important budget decisions, beyond obligatory reference.

It is also true that the Master Plan's basic elements of "no tuition," low student fees, a place for all undergraduates in high quality institutions, and choice of a private institution are, when taken altogether, an expensive commitment for government.

Because of this expense, these elements have been subject to some fudging over the years, long before the recent crisis. The most important question now is whether the Master Plan's overarching policy of access to high quality institutions and the opportunity to choose among them can be maintained without full state support of these fiscal elements.

APPENDIX ONE

An Historical View of Public Finance for Higher Education in California

Headlines about Higher Education Finance in California

"Higher Education Budgets Cut Drastically"
"Erosion of Resources for Higher Education Continues"
"Higher Education Master Plan in Jeopardy Due to Budget Cuts"
"Once Among Nation's Best Funded, California's Universities Decline Again"

Such splashy headlines are common in the public discussion about higher education in California. Some are the impressions of reporters, but many are framed by the institutions of higher education themselves and some by those responsible for analyzing policy. Although the conclusions of these announcements may differ, their purposes are much the same: to influence resource decisions or to justify the decisions themselves.

Unlike many issues in education, the debate over resources has a concrete dimension, and certain aspects can be definitively researched. The research, however, generally provides either a short term focus (this year's budget compared to last) or a uni-dimensional measure (such as higher education's proportion of state appropriations or dollars spent per student).

Purpose of This Project

The California Higher Education Policy Center's data project is intended to organize a credible and useful data base about the finances of the colleges, universities, and agencies that are funded directly by the State of California to provide higher education. Its distinguishing characteristic is the attempt to push beyond the traditional limitations of fiscal studies by using a horizon as old as California's Master Plan for Higher Education itself, and by providing numerous measures of finance which offer a broader understanding of resources over time.

Data on the sources of income and the general areas of expenditure were collected for the University of California, the California State University (formerly the California State Colleges), the California Community Colleges, and the California Student Aid Commission, for as many years as were available in the state's official records. This data involved all the major categories of revenue for the institutions, with special focus on state and student support for current operations, as well as funding for capital outlay in the four-year segments.

The Center's data base includes revenues and expenditures for every year from 1958 through 1994. Though extensive, the data base is focused on *state* issues and therefore contains only totals for the segments and the state's Student Aid Commission, not campus budgets. In their raw

form, the revenue and expenditure data are not terribly helpful for analyzing state policy and institutional finance. To be useful, the data base provides, for each segment of higher education, a section on "Key Indicators and Ratios," which was developed from the overall data in order to track elements for analyzing changes over time. In this report, these "Key Indicators and Ratios" have been organized into certain "core measures," whose selection was guided by the following criteria:

- All "core" measures chosen allow general comparability among the segments; are consistently defined and readily available; and have a clear state policy dimension.
- Some measures take size into account, such as by dividing revenues or expenditures by the number of students.
- Some measures take the impact of inflation into account, by showing "constant dollars" to eliminate dollar increases solely from rising prices. Two indices are used here: The *Higher Education Price Index* (HEPI) measures cost increases due solely to being in the *business* of higher education and places a heavy emphasis on the trends of faculty salaries. The *Consumer Price Index* (CPI) measures cost increases of goods and services to individuals but parallels generally the U.S. economy's inflation rate as a whole. As a test of its adequacy to measure overall inflation, CPI increases were compared to both the HEPI and the Gross Domestic Product Deflator (GDPD), the economy's broadest gauge of inflation. As shown in Table Twelve, the CPI and the GDPD have quite similar histories since 1960, and the HEPI is considerably higher.

TABLE TWELVE

Inflation Increases According to Three Measures*

1960 to 1991

	Total Increase	*Annual Average*
The HEPI	+517.9%	+5.8%
The CPI	+379.2%	+5.0%
The GDP Deflator	+373.8%	+5.0%

* For a more extensive explanation of these indices, see Getz and Siegfried 1992, pp. 299-300.

The Challenges of Creating a Data Base on Finance

It is easy to understand why it is so difficult to compile a single, historical data base for higher education finance in California, or indeed around the nation. One reason is that higher education is split into different "systems" or "segments," which, predictably, collect their own information for their own purposes. Unless common definitions have been imposed by government, by some accounting standards board, or by some national higher education association, fiscal data about activities are rarely comparable, except at the most highly aggregated level. For example, the University of California and the California State University *count* their students *differently* for state budget purposes because each segment maintains that their measure is most appropriate for their particular mission. While these different perspectives can be justified by the defining assumptions internal to each of the segments, they make comparisons throughout higher education tenuous without exhaustive effort.

The second reason is that the definitions and accounting practices, even within the segments

themselves, have changed substantially *over time*. For example, public institutions have reported expenditures for administration and student services since the 1960s, but the specific components in each category have shifted decade by decade. Going back to the dawn of the modern system of higher education in California reveals that only a handful of important activities have enjoyed consistent definition. The measure "Current Expense of Education" for community colleges is one example of consistent reporting, but these examples are precious few and are invariably limited to those defined by statute.

The only other effort to organize a comprehensive, longitudinal data base for higher education is the California Postsecondary Education Commission's *Fiscal Profiles* series, the most recent edition having been published in October 1994. While some of the definitions are different than those in the Center's data base (CPEC 1994b, pp. 12-14) and the Center's data are drawn more heavily from the Governor's Budgets (the official document about state finance in California), the two data bases are generally congruent. To avoid confusion, the Center has made every effort to ensure that the numbers are the same as those in CPEC's publication where definitions are equivalent, or—where they are not—to explain the reasons for differences.

Concluding Issues: Credibility and Usefulness

Is this a credible data base? Certainly it uses the best, most official documents available from the state and the systems of higher education. It also makes every effort to achieve comparability in each category over three decades of information. Still, there are changes and recombinations within many of these numbers which, to professionals in financial analysis, make the data less than uniform. But serious research is a process of iteration and refinement; our hope is to publish information which will prompt its own dissection and improvement.

Is this a useful data base? If the test of usefulness is to determine whether higher education funding has been ***adequate***, then probably not. The issue of adequacy *cannot* be conclusively addressed over such a long series of data, even when workload and inflation changes are taken into account. The reasons for this limitation are well known:

- institutions enjoy "scale economies" as they grow in that they should do as good a job with fewer dollars per student because of size;
- the institutions have "learning curves" in that results improve when activities are performed often; and
- changes in technology should make the resources which support higher education more productive over time.

All these factors suggest that no conclusive standard of "adequacy" is possible over thirty years of financial history.

But if the test of usefulness is to identify ***priorities***, then the answer is yes. This long series of data clearly shows shifts in funding among and within the segments. Within them, it shows shifts among their sources of revenue (state, students, etc.) and among the ways they spend the money (instruction, student services, etc.). Although this presentation alone is not iron-clad evidence about priorities, objective information about the relative change in financing and expenditures is a good first step in identifying the priorities of the state and the institutions. And surely the community should prefer this kind of analysis for identifying priorities to an exclusive reliance on the rhetoric about fiscal decisions.

APPENDIX TWO

Comparing Three Decades of State Financing for Public Higher Education in California

		1960s			1970s			1980s	
A. UNIVERSITY OF CALIFORNIA	*1960/61*	*1969/70*	*% Change*	*970/71*	*1979/80*	*% Change*	*1980/81*	*1989/90*	*% Change*
Total FTE Student Enrollment	48,354	109,641	126.7%	105,335	127,857	21.4%	126,119	152,858	21.2%
State General Funds Per FTE Student	$2,497	$3,006	20.4%	$3,200	$7,054	120.4%	$8,520	$13,586	59.4%
Adjusted by HEPI	$2,497	$1,948	-22.0%	$1,946	$2,330	19.8%	$2,539	$2,470	-2.7%
Adjusted by CPI	$2,497	$2,366	-5.3%	$2,394	$2,702	12.9%	$2,927	$3,181	8.7%
General Revenues Per FTE Student	$2,658	$3,406	28.1%	$3,702	$7,861	112.3%	$9,493	$15,576	64.1%
Adjusted by HEPI	$2,658	$2,208	-16.9%	$2,251	$2,597	15.3%	$2,829	$2,832	0.1%
Adjusted by CPI	$2,658	$2,681	0.9%	$2,770	$3,011	8.7%	$3,261	$3,647	11.8%
Instructional Expenditures Per FTE Student	$1,145	$1,614	41.0%	$1,767	$3,856	118.2%	$4,596	$7,894	71.8%
Adjusted by HEPI	$1,145	$1,046	-8.6%	$1,074	$1,274	18.6%	$1,370	$1,435	4.8%
Adjusted by CPI	$1,145	$1,270	11.0%	$1,322	$1,477	11.7%	$1,579	$1,848	17.1%
Core Measure Ratios	*1960/61*	*1969/70*		*1970/71*	*1979/80*		*1980/81*	*1989/90*	
Instruction and Departmental Research as a Proportion of State General Fund Revenues (excludes "Organized Research" and Agricultural Extension)	45.8%	53.7%		55.2%	54.7%		53.9%	58.1%	
UC's General Funds as a Percent of Total State General Fund Expenditures	7.2%	7.4%		6.9%	4.9%		5.1%	5.3%	
UC's Proportion of Cal Grant Dollars	7.9%*	12.2%		16.2%	15.0%		15.7%	21.8%	

*1961/62, earliest year available

APPENDIX TWO (continued)

Comparing Three Decades of State Financing for Public Higher Education in California

	1960s			1970s			1980s		
B. CALIFORNIA STATE UNIVERSITY	*1960/61*	*1969/70*	*% Change*	*1970/71*	*1979/80*	*% Change*	*1980/81*	*1989/90*	*% Change*
Total FTE Student Enrollment	69,089	186,365	169.7%	203,700	232,552	14.2%	238,646	272,608	14.2%
State General Funds Per FTE Student	$992	$1,529	54.2%	$1,498	$3,502	133.8%	$3,989	$5,985	50.0%
Adjusted by HEPI	$992	$991	-0.0%	$911	$1,157	27.0%	$1,189	$1,088	-8.5%
Adjusted by CPI	$992	$1,203	21.3%	$1,121	$1,342	19.7%	$1,371	$1,401	2.3%
General Revenues Per FTE Student	$1,087	$1,662	52.9%	$1,645	$3,765	128.8%	$4,294	$7,017	63.4%
Adjusted by HEPI	$1,087	$1,077	-0.9%	$1,000	$1,244	24.3%	$1,280	$1,276	-0.3%
Adjusted by CPI	$1,087	$1,308	20.3%	$1,231	$1,442	17.2%	$1,475	$1,643	11.4%
Instructional Expenditures Per FTE Student	$771*	$1,081	†	$1,018	$2,166	112.7%	$2,455	$4,194	70.8%
Adjusted by HEPI	$771*	$782	†	$692	$799	15.5%	$817	$852	4.2%
Adjusted by CPI	$771*	$881	†	$790	$860	8.9%	$874	$1,018	16.4%
Core Measure Ratios	*1960/61*	*1969/70*		*1970/71*	*1979/80*		*1980/81*	*1989/90*	
Instruction as a Proportion of State General Fund Revenues	73.7%*	70.7%		68.0%	61.9%		61.5%	70.1%	
CSU's General Funds as a Percent of Total State General Fund Expenditures	4.1%	6.4%		6.3%	4.4%		4.5%	4.1%	
CSU's Proportion of Cal Grant Dollars	0.9%**	2.0%		2.7%	10.1%		11.3%	17.7%	

*1963/64, earliest year available
† Percentage not comparable to others
**1961/62, earliest year available

APPENDIX TWO (continued)

Comparing Three Decades of State Financing for Public Higher Education in California

	1960s			1970s			1980s		
C. CALIF. COMMUNITY COLLEGES	***1960/61***	***1969/70***	***% Change***	***1970/71***	***1979/80***	***% Change***	***1980/81***	***1989/90***	***% Change***
Units of Average Daily Attendance	109,485	399,791	265.2%	517,339	688,591	33.1%	752,490	772,485	2.7%
Total Income per ADA Unit	$611	$964	57.8%	$978	$2,077	112.4%	$2,167	$3,543	63.5%
Adjusted by HEPI	$611	$624	2.3%	$595	$686	15.4%	$646	$644	-0.2%
Adjusted by CPI	$611	$758	24.2%	$732	$796	8.7%	$744	$830	11.5%
Current Expense of Education per ADA Unit*	$569	$836	47.0%	$872	$1,769	102.9%	$1,851	$2,801	51.3%
Adjusted by HEPI	$569	$542	-4.8%	$530	$584	10.2%	$552	$509	-7.7%
Adjusted by CPI	$569	$658	15.7%	$652	$678	3.9%	$636	$656	3.1%
Instructional Expenditures per ADA Unit	$334	$490	47.0%	$512	$1,023	99.9%	$1,070	$1,714	60.1%
Adjusted by HEPI	$334	$318	-4.8%	$311	$338	8.6%	$319	$312	-2.3%
Adjusted by CPI	$334	$386	15.7%	$383	$392	2.4%	$368	$401	9.2%
Core Measure Ratios	***1960/61***	***1969/70***		***1970/71***	***1979/80***		***1980/81***	***1989/90***	
Instruction as a Proportion of State, County & Local Revenues	50.1%	50.3%		51.9%	51.0%		52.0%	47.8%	
CCC s State Funds as a Percentage of Total State General Fund Expenditures	1.0%	2.8%		3.8%	5.6%		5.4%	4.5%	
CCC s Proportion of Cal Grant Dollars	0.0%†	6.5%		7.6%	8.8%		9.1%	9.4%	

*See explanation of "The Current Expense of Education" in Appendix Six, Community Colleges, Notes on Expenditures.

†1961/62, earliest year available.

APPENDIX TWO (continued)

Comparing Three Decades of State Financing for Public Higher Education in California

	1960s		1970s		1980s	
D. INDEPENDENT COLLEGES AND UNIVERSITIES	*1961/62**	*1969/70*	*1970/71*	*1979/80*	*1980/81*	*1989/90*
Independents' Proportion of Cal Grant Dollars	91.3%	79.3%	73.5%	61.9%	59.7%	43.6%

*1961/62, earliest year available

APPENDIX THREE

Reasons for Differences in Long-Term Trends, 1960 to 1990

What caused the long-term patterns found in the data base? The first reason for the disparities is the fact that both the University of California and the California State University are considered statewide institutions and are organized as "systems" of campuses under their single governing boards. Each system, rather than individual campuses, receives funds through a line item in the state's budget act which traditionally classified state-financed activities into a dozen major programs (instruction, research, public service, academic support, student services, student financial aid, etc.).

Of course, the greater part of each budget is based on enrollment. But starting in the early 1960s, the University of California received state funding for adding faculty but for no other portions of its budget because of enrollment growth alone. In contrast, virtually all of the state-funded budget for the California State University has been adjusted for enrollment changes between 1961 and 1991, except for physical plant operations, either through a full-time-equivalent student calculation or head-count enrollment, or variations of both. This means that during any years of enrollment growth, revenues per student at Cal State would increase faster than for the University of California.

Another factor that influenced early funding differences was that the University of California's student/faculty ratio increased from roughly 14:1 to 18:1 in the 1960s, while the ratio at Cal State remained around 17:1. Did this damage the University of California? Probably not, because the growing campuses had very high per-student costs when small, especially for administration, but then experienced economies of scale throughout the decade. During the 1970s, the per-student appropriations for the University of California rose considerably, as enrollment stabilized and additional funds were provided beyond the rate of inflation to start new programs.

Because they are considered "local" institutions and similar to the public schools, state support for the community colleges has been calculated differently. From the beginning, formulas based on "Average Daily Attendance" (ADA) were used which provided a flat amount per student, adjusted annually by some general, statutory measures of growth and inflation. Before Proposition 13 was enacted in 1978, state funds were provided partly to recognize enrollment growth and partly to equalize the funding behind each student in the community colleges. After Proposition 13 was enacted, local property taxes receded in importance and state funding increased dramatically. Until 1990, though, the state's approach of a flat amount per student locked the community colleges into lower funding adjustments since the statutory measures were invariably at lower rates than changes in the HEPI.

Another major reason for differences in funding over time involve employee compensation policies. The state's ways of providing salary and benefit increases differ substantially among the segments, and this accounts for much of the per-student funding differences. Since the core of any educational system is its faculty, public policy in California has been to employ individuals

who are among the best in the nation. Again, the differences among the institutions because of their distinct missions shape the actual practices regarding faculty employment and compensation.

The University of California and the California State University are statewide "systems" and use statewide salary schedules which, though different between the systems, establish similar ranks (professor, associate professor, etc.) and establish "steps" within each rank. Both systems compare their respective *average* salaries with out-of-state institutions for the purpose of achieving and maintaining parity (the mean of all salaries as a whole within each rank). Each system uses a different set of institutions which have broadly similar roles and missions in other states—a comparison methodology which has been generally accepted by the Legislature and Governor since the mid-sixties and followed consistently during the 1980s in providing compensation increases. Without exception, the years of the *largest* per-student, inflation-adjusted increases for the four-year segments are the same as those when salaries were adjusted most to achieve parity. By contrast, faculty salaries in the community colleges are set by district boards, and practices vary widely across the state. Further, the community colleges receive a lump sum increase each year which they can use for almost any purpose, including faculty salary increases. In general, salary increases among the community colleges have been less during years when the four-year segments received the largest amounts for salaries.

APPENDIX FOUR

The 1990s for Public Higher Education in California

A. University of California	1990/91	1993/94	% Change
Total FTE Student Enrollment	155,796	152,227	-2.29%
State General Funds Per FTE Student	$13,709	$11,780	-14.07%
Adjusted by HEPI	$2,366	$1,854	-21.67%
Adjusted by CPI	$3,045	$2,392	-21.44%
General Revenues Per FTE Student	$15,827	$15,699	-0.81%
Adjusted by HEPI	$2,732	$2,470	-9.59%
Adjusted by CPI	$3,516	$3,188	-9.32%
Instructional Expenditures Per FTE Student	$7,937	$7,518	-5.28%
Adjusted by HEPI	$1,370	$1,183	-13.67%
Adjusted by CPI	$1,763	$1,527	-13.41%
Core Measure Ratios			
Instruction and Departmental Research as a Proportion of State General Fund Revenues	57.9%	63.82%	
UC s General Funds as a Percentage of Total State General Fund Expenditures	5.30%	4.60%	
UC s Proportion of Cal Grant Dollars	22.70%	31.08%	

B. California State University	1990/91	1993/94	% Change
Total FTE Student Enrollment	278,502	247,866	-11.00%
State General Funds Per FTE Student	$5,937	$6,046	1.84%
Adjusted by HEPI	$1,025	$951	-7.17%
Adjusted by CPI	$1,319	$1,228	-6.90%
General Revenues Per FTE Student	$7,067	$7,920	12.07%
Adjusted by HEPI	$1,220	$1,246	2.15%
Adjusted by CPI	$1,570	$1,608	2.46%
Instructional Expenditures Per FTE Student	$4,255	$4,363	2.55%
Adjusted by HEPI	$821	$767	-6.53%
Adjusted by CPI	$980	$918	-6.25%
Core Measure Ratios			
Instructional Expenditures as a Proportion of State General Fund Revenues	71.67%	72.17%	
CSU s General Funds as a Percentage of Total State General Fund Expenditures	4.11%	3.85%	
CSU s Proportion of Cal Grant Dollars	19.82%	16.99%	

APPENDIX FOUR

The 1990s for Public Higher Education in California

C. California Community Colleges	1990/91	1993/94	% Change
Full-Time Equivalent Students (replacement for ADA)	841,073	838,916	-0.26%
Total Income Per FTE Student	$3,526	$3,635	3.10%
Adjusted by HEPI	$609	$572	-6.02%
Adjusted by CPI	$783	$738	-5.74%
Current Expense of Education Per FTE Student	$2,838	$2,980	4.99%
Adjusted by HEPI	$490	$469	-4.31%
Adjusted by CPI	$630	$605	-4.02%
Instructional Expenditures Per FTE Student	$1,755	$1,799	2.51%
Adjusted by HEPI	$303	$283	-6.56%
Adjusted by CPI	$390	$365	-6.29%
Core Measure Ratios			
Instructional Expenditures as a Proportion of State, County & Local Revenues	49.89%	50.16%	
CCC's State Funds as a Percentage of Total State General Fund Expenditures	4.71%	3.28%	
CCC's Proportion of Cal Grant Dollars	10.79%	8.67%	

D. Independent Colleges and Universities	1990/91	1993/94
Independents' Proportion of Cal Grant Dollars	41.98%	31.24%

APPENDIX FIVE

An Analysis of Recovery from Years of Fiscal Crisis:
The Three Public Segments of Higher Education in California

The Years 1970/71 and 1971/72 were known as the worst for the University of California and the California State Colleges during the first twenty years of the Master Plan. The crisis of 1978/79 (Proposition 13) was the most serious for the California Community Colleges. The Recession of the early 1980s affected all three segments.

The information on the following pages describes how long it took to "recover" from these crises.

APPENDIX FIVE

An Analysis of Recovery from Years of Fiscal Crisis

A. CRISIS ONE: THE EARLY 1970s

1. University of California	*1969/70*	*1970/71*	*1971/72*	*1972/73*	*1973/74*	*1974/75*
Total FTE Student Enrollment	109,641	105,335	105,205	109,929	116,219	120,880
Enrollment returned to 1969/70 levels in 3 yrs.						
State General Fund Appropriation (000s)	$329,560	$337,079	$335,578	$384,705	$445,910	$514,566
Annual Percent Change		2.28%	-0.45%	14.64%	15.91%	15.40%
State General Fund Approp. Per FTE Student	$3,006	$3,200	$3,190	$3,500	$3,837	$4,257
Adjusted by HEPI (base = 1960/61)	$1,948	$1,946	$1,843	$1,918	$1,968	$2,007
Adjusted by CPI (base = 1960/61)	$2,366	$2,394	$2,307	$2,432	$2,447	$2,443
HEPI dollars returned solidly to 1969/70 levels in 4 yrs. ***CPI dollars fluctuated during the period.***						
General Revenues Per FTE Student	$3,406	$3,702	$3,576	$3,914	$4,306	$4,784
Adjusted by HEPI (base = 1960/61)	$2,208	$2,251	$2,067	$2,146	$2,209	$2,256
Adjusted by CPI (base = 1960/61)	$2,681	$2,770	$2,586	$2,720	$2,747	$2,746
HEPI dollars returned solidly to 1969/70 levels in 4 yrs. ***CPI dollars returned solidly to 1969/70 levels in 3 yrs.***						

APPENDIX FIVE (continued)

An Analysis of Recovery from Years of Fiscal Crisis

A. CRISIS ONE: THE EARLY 1970s (continued)

2. The California State Colleges	***1969/70***	***1970/71***	***1971/72***	***1972/73***	***1973/74***	***1974/75***
Total FTE Student Enrollment	186,365	203,700	211,025	220,266	224,152	227,002
Enrollment increased steadily throughout this period.						
State General Fund Appropriation (000s)	$284,962	$305,132	$316,250	$373,181	$428,919	$481,546
Annual Percent Change		7.08%	3.64%	18.00%	14.94%	12.27%
State General Fund Appropriation Per FTE Student	$1,529	$1,498	$1,499	$1,694	$1,914	$2,121
Adjusted by HEPI (base = 1960/61)	$991	$911	$866	$929	$982	$1,000
Adjusted by CPI (base = 1960/61)	$1,203	$1,121	$1,084	$1,177	$1,221	$1,217
HEPI dollars returned to 1969/70 levels in 5 yrs.						
CPI dollars returned to 1969/70 levels in 4 yrs.						
General Revenues Per FTE Student	$1,662	$1,645	$1,665	$1,859	$2,084	$2,327
Adjusted by HEPI (base = 1960/61)	$1,077	$1,000	$962	$1,019	$1,069	$1,097
Adjusted by CPI (base = 1960/61)	$1,308	$1,231	$1,204	$1,292	$1,330	$1,336
HEPI dollars returned to 1969/70 levels in 5 yrs.						
CPI dollars returned to 1969/70 levels in 4 yrs.						

APPENDIX FIVE (continued)

An Analysis of Recovery from Years of Fiscal Crisis

B. CRISIS TWO: PROPOSITION 13 AND RECESSION

1. University of California	*1977/78* (Base Year)	*1978/79* (Prop. 13)	*1979/80* (High Inflation)	*1980/81*	*1981/82* (Recession Begins)	*1982/83*	*1983/84* (Ends)	*1984/85* (Recovery)
Total FTE Student Enrollment	121,719	123,462	127,857	126,119	128,035	129,643	130,822	133,705
Enrollment increased steadily throughout period, except for 1980/81.								
State General Fund Appropriation (000s)	$737,498	$767,050	$901,951	$1,074,584	$1,097,293	$1,125,425	$1,110,012	$1,457,144
Annual Percent Change		4.01%	17.59%	19.14%	2.11%	2.56%	-1.37%	31.27%
State General Fund Approp. Per FTE Student	$6,059	$6,213	$7,054	$8,520	$8,570	$8,681	$8,485	$10,898
Adjusted by HEPI (base = 1960/61)	$2,357	$2,253	$2,330	$2,539	$2,334	$2,222	$2,075	$2,525
Adjusted by CPI (base = 1960/61)	$2,878	$2,697	$2,702	$2,927	$2,711	$2,630	$2,479	$3,066
HEPI dollars returned to 1977/78 levels in 3 yrs, then dipped until 1984/85.								
CPI dollars returned to 1977/78 levels in 3 yrs., then dipped until 1984/85.								
General Revenues Per FTE Student	$6,738	$6,993	$7,861	$9,493	$9,740	$10,071	$10,076	$12,471
Adjusted by HEPI (base = 1960/61)	$2,622	$2,536	$2,597	$2,829	$2,653	$2,578	$2,464	$2,889
Adjusted by CPI (base = 1960/61)	$3,200	$3,035	$3,011	$3,261	$3,081	$3,051	$2,944	$3,509
HEPI dollars returned to 1977/78 levels in 3 yrs, then dipped until 1984/85.								
CPI dollars returned to 1977/78 levels in 3 yrs., then dipped until 1984/85.								

APPENDIX FIVE (continued)

An Analysis of Recovery from Years of Fiscal Crisis

B. CRISIS TWO: PROPOSITION 13 AND RECESSION (continued)

2. California State University	*1977/78* (Base Year)	*1978/79* (Prop. 13)	*1979/80* (High Inflation)	*1980/81*	*1981/82* (Recession Begins)	*1982/83*	*1983/84* (Ends)	*1984/85* (Recovery)	*1985/86*
Total FTE Student Enrollment	233,699	228,939	232,552	238,646	239,926	240,990	241,549	242,295	257,839
Enrollment increased steadily throughout period, except for 1978/79.									
State General Fund Appropriation (000s)	$666,072	$682,983	$814,453	$952,052	$955,683	$907,338	$949,984	$1,155,544	$1,275,359
Annual Percent Change		2.54%	19.25%	16.89%	0.38%	-5.06%	4.70%	21.64%	10.37%
State General Fund Approp. Per FTE Student	$2,850	$2,983	$3,502	$3,989	$3,983	$3,765	$3,933	$4,769	$4,946
Adjusted by HEPI (base = 1960/61)	$1,109	$1,082	$1,157	$1,189	$1,085	$964	$962	$1,105	$1,095
Adjusted by CPI (base = 1960/61)	$1,354	$1,295	$1,342	$1,371	$1,260	$1,141	$1,149	$1,342	$1,353
HEPI dollars returned to 1977/78 levels in 2 yrs., remained stable for 1 yr., then dipped.									
CPI dollars returned to 1977/78 levels in 3 yrs., then dipped until returning to 1977/78 levels in 1985/86.									
General Revenues Per FTE Student	$3,087	$3,235	$3,765	$4,294	$4,383	$4,411	$4,800	$5,605	$5,701
Adjusted by HEPI (base = 1960/61)	$1,201	$1,173	$1,244	$1,280	$1,194	$1,129	$1,174	$1,299	$1,263
Adjusted by CPI (base = 1960/61)	$1,466	$1,404	$1,442	$1,475	$1,386	$1,337	$1,403	$1,577	$1,559
HEPI dollars returned to 1977/78 levels in 2 yrs., remained stable for 1 yr., then dipped until 1984/85.									
CPI dollars returned to 1977/78 levels in 3 yrs., then dipped until 1984/85.									

APPENDIX FIVE (continued)

An Analysis of Recovery from Years of Fiscal Crisis

B. CRISIS TWO: PROPOSITION 13 AND RECESSION (continued)

3. California Community Colleges	*1977/78* (Base Year)	*1978/79* (Prop. 13)	*1979/80* (High Inflation)	*1980/81*	*1981/82* (Recession Begins)	*1982/83*	*1983/84* (Ends)	*1984/85* (Recovery)
Total Student Enrollment (based on Average Daily Attendance--ADA)	718,124	642,465	688,591	752,490	776,274	751,067	686,573	666,140
Enrollment dipped for 2 yrs., remained stable for 3 years, and then dipped again.								
CCC Total Income per ADA	$1,846	$1,943	$2,077	$2,167	$2,151	$2,185	$2,440	$2,667
Adjusted by HEPI (base = 1960/61)	$718	$705	$686	$646	$586	$559	$597	$618
Adjusted by CPI (base = 1960/61)	$876	$843	$796	$744	$680	$662	$713	$750
The community colleges have never returned to the 1977/78 level as measured by the HEPI.								
The community colleges have never returned to the 1977/78 level as measured by the CPI.								
Current Expense of Education per ADA*	$1,527	$1,682	$1,769	$1,851	$1,934	$1,996	$2,158	$2,411
Adjusted by HEPI (base = 1960/61)	$594	$610	$584	$552	$527	$511	$528	$559
Adjusted by CPI (base = 1960/61)	$725	$730	$678	$636	$612	$605	$630	$678
The community colleges have never returned to the 1978/79 level as measured by the HEPI.								
The community colleges have never returned to the 1978/79 level as measured by the CPI.								

* Current Expense of Education (CEE) was a measure chosen for this table because it is the most consistently defined measure of resources for the 'Educational and General' activities of the community colleges. By law (Education Code 84362c), its components are certificated salaries, classified salaries, employee benefits, supplies and materials for general purposes, and other operating expenses. It has been consistently defined because it is part of the '50% law,' a provision which is not applied to the four-year segments. Nevertheless, CEE is a good measure of overall expenditures for education in the community colleges.

APPENDIX SIX

Explanatory Notes for the Fiscal Data:
Sources and Definitions for the Center's Data Base

General Sources

Especially for years before 1990: California Governor's Annual Budget for UC, CSU and CSAC. The "actual" data from these budgets are reported. For the community colleges: Controller's Reports for School Districts, annual reports from 1958/59 to 1979/80. Thereafter: California Community Colleges, *Fiscal Data Abstracts*, 1980/81 to 1991/92.

Since 1990, Governor's Budget augmented by University of California, "Support for Current Operations Budget," issued each September (the most recent release is September 1993); California State University, "Support Budget" proposal for various years (known as the "Gold Book"). For UC and CSU student fees and non-resident tuition, 1965/66 through 1978/79: California Postsecondary Education Commission (CPEC), Agenda Item 12, December 9, 1991, pp. 16-17. For student fee information since then: California Legislative Analyst's Office, "Analysis of the Budget Bill," various years. For faculty salary adjustments: CPEC, "Faculty Salaries in California's Public Universities, 1992-93," Item 6, CPEC Agenda of February 21, 1993, p. 13. For lottery funds: CPEC, "Fiscal Profiles, 1993," Commission Report 93-14 (1993), Displays 11, 14, 16. For 1993/94 and 1994/95 budgeted information: CPEC, "Fiscal Profiles, 1994," Commission Agenda Item 14, October 1994; University of California, *1995-1996 Budget for Current Operations*, Oakland: Office of the President, October 1994.

University of California

Notes on Revenue Sources

Support for Current Operations. In 1969/70, the Governor's Budget eliminated the category "Educational and General Revenues." The term "Budgeted Programs" came into use then, but it expanded the range of revenues to include restricted purpose expenditures which were not in the earlier calculations. Nevertheless, the category "Budgeted Programs" is generally congruent with the earlier calculation entitled "Total Expenditure, All Funds."

Total Federal Support. From 1972/73 on, "Other" includes extramural U.S. government funds for contracted research.

Detail on Student Revenues. "Total Resident Student Fees" includes "Regular Session Incidental Fees" and "Resident Tuition—Medical Centers," 1958/59 to 1968/69. This basic student charge is called "Incidental Fees" until 1969/70 when the Governor's Budget first uses the term "Registration Fees." Thereafter, "Education Fees" are added and these two charges together represent "Total Resident Student Fees" here. Since 1990/91, a special fee of $376 per year is charged to law and medical school students and is added to "Total Resident Student Fees."

The "UC Systemwide fees per Ca. Resident" represents the "Average Annual Fees per Resident Undergraduate Student" (excluding miscellaneous fees).

"Other Student Revenues" includes government contract tuition, application and miscellaneous student fees, University Extension fees, summer session fees, and "other" student charges.

Grand Totals—All Revenue Sources. This includes all educational and general revenues, research contracts, university income, support from the federal government, and income from auxiliaries. The synonymous term for the California State University is "Total Programs."

Notes on Expenditures

Instruction and Dept. Research. This consists of expenditures for general campus instruction and health sciences, excluding University Extension and summer session expenditures. For most years, the expenditures from state General Funds are used. Beginning in 1967/68, funds for instruction and departmental research are broken down in the Governor's Budget into those for general campuses and for health sciences. The General Fund expenditures for these two are consolidated together in the display, but the spreadsheet's formula identifies the two separately.

Organized Research. This consists either of "State General Funds for Organized Research Units" or (starting in 1975/76) "General Purpose Funds for Research."

Academic Support. This category consists of "Libraries & Organized Activities—Educational Departments" from 1958/59 to 1967/68, and "Teaching Hospitals" (identified separately starting in 1965/66). From 1972/73 on, consists of General Fund expenditures for libraries, other academic support and teaching hospitals (clinical teaching support).

Public Service. Through 1968/69, this category was called "Extension and Public Service," and it included "Public Service," UC Extension (instruction), and Cooperative Extension (Agriculture). The data here show the total for these three through 1967/68. In 1968/69, "Campus Public Service" and Cooperative Extension, which both received substantial state support, became separately identified and are continued separately here. For 1970/71 and 1971/72, the Governor's Budget collapses together Cooperative (Agricultural) Extension, "Public Service" and UC Extension into one total, which must be differentiated to insure comparability. Therefore, the data presented here for 1970/71 and 1971/92 for both "Public Service" and Cooperative Extension use an estimated continuing average. From 1972/73 on, the data represent state General Funds expended for public service, primarily campus public service and the Drew Medical School. University (Cooperative) Extension was split in 1969/70 into University Extension, Agricultural Extension, and "Campus Public Service." The amount here reports Agricultural (Cooperative) Extension Only.

Institutional Support. This consists of "General Administration" and "General Institutional Services and Expense" until 1969/70. Starting in 1972/73, these are consolidated and called "Administration and Services (General Fund expenditures only). From 1981/82 through 1984/85, "Institutional Support" represents General Funds for IS minus General Funds for "Physical Plant." For other years, IS represents General Funds for IS minus the total expenditures for physical plant, since the differences are much less than from 1981 through 1984. The term "Institutional Support" after 1976/77 consists of General Purpose Funds reported in the Governor's Budget, roughly equivalent to state General Fund expenditures.

Student Services. This area has never received state General Fund support, so that the expenditures listed here represent the total expenditures, primarily from student fees.

Maintenance/Plant. This expenditure is separately reported from "Institutional Support" in the

University of California's budget, but is included in this category for the California State University. When state General Fund expenditures are not reported in this category, the spreadsheet uses expenditures for General Purpose Funds only (a reasonable surrogate for state General Fund expenditures).

Note on Capital Outlay. Non-state projects are typically revenue-generating facilities such as dormitories, cafeterias, and student unions.

California State Colleges/University

Notes on Revenue Sources

State General Funds. In 1984/85, the state changed its method of accounting state General Fund appropriations: "To conform to Generally Accepted Accounting Principles, $251,316,000 representing most of the 1986/87 student fees and other CSU fee monies, will be budgeted and accounted as General Fund revenues rather than as reimbursements. While not changing total expenditures, this change will increase the amounts reflected as General Fund expenditures. The additional revenues and expenditures will offset each other, thus there will be no effect on the General Fund Balance." For comparability purposes, an "adjustment" is shown for 1984/85, underneath the official "General Funds" indication in the Governor's Budget. This adjustment makes the 1984/85 amount comparable to earlier years by removing reimbursements which are included in the Governor's Budget. From 1985/86 on, General Funds are derived from CSU support budget document (the "Gold Book") for the sake of consistency with earlier years. For 1993/94 and 1994/95 budgeted information, see: CPEC, "Fiscal Profiles, 1994," Commission Agenda Item 14, October 1994.

Student Revenues. "Regular Session Fees" includes non-resident tuition during the early years. Starting in 1963/64, this is called the "Student Material and Services Fee." In 1978/79, the charge was shortened to the "Student Services Fee." From 1982/83 through 1985/86, this "Student Services Fee" is added to a new charge under Regular Session Fees, called the "State University Fee." This "State University Fee" becomes the exclusive system-imposed charge in 1986/87 and continues to this day. These revenues are a direct offset to state General Funds, while, earlier, the student fees charged regular-credit students for supported student services only. Non-resident tuition has always been a direct off-set to the state General Funds required to operate the CSU. Summer session and CSU Extension are combined for reporting purposes in 1964/65. Thereafter the revenues are reported as Extension/Continuing Education.

Total Revenues—All Sources. Through 1954/55, this total revenue display included all salaries/wages, operating expense, equipment, state employees retirement contributions. Thereafter, it includes all reimbursements and auxiliary organization revenues as well. For 1961/62 through 1964/65, this category includes roughly $2 million of federal funds for a student loan program.

Notes on Expenditures

The Governor's Budget began to report consolidated expenditures for the functions listed in the spreadsheet in the 1965/66 budget. These expenditures exclude those for the Trustees, international programs, and unallocated program augmentations. This data are consistent for years preceding conversion to program budgeting in 1968/69. Beginning in 1972/73, the Governor's Budget uses the program classification structure developed by the National Center for Higher Education Management Systems (NCHEMS) and identified here.

Instruction. This is for the regular session only. Starting in 1970/71, instruction and academic support include General Funds only. The amount reported as "General Funds" for instruction starting in 1984/85 is not strictly comparable to earlier years because it incorporates reimbursements which were excluded from the earlier General Fund calculations. Several adjustments have been made to the data to take this discontinuity into account.

Student Services. These are reported separately after 1972/73 in accordance with the NCHEMS program classification definitions. From 1972/73 on, the amount reported includes General Funds and all reimbursements for student services, since this is a better measure of the overall activity in this category because student charges were used to support expenditures here until the early 1980s. These calculations exclude the sub-program "Student Support" since this category is dominated by self-supporting dormitories, bookstores, and retail services. Only student health centers were supported through General Funds in this sub-program. In 1978/79, the expenditures for social/cultural development fell by roughly $10 million, for unexplained reasons. Starting in 1978/79, non-state supported activities under "Student Support" are eliminated, leaving only state General Funds for health services. These calculations exclude the dormitory fund, auxiliary organizations, and the continuing education revenue fund. Starting in 1970/71, General Fund support for student services was provided for one-half of the dean of student's office, the state portion of federal student financial aid, and support of EOP. All other programs under student services were provided by special funds or student fees.

Academic Support. Beginning in 1972/73, this includes libraries even though these are separately reported in the spreadsheet.

Plant Operations. This is part of "Institutional Support" after 1972/73, in accordance with the NCHEMS program classification system. The expenditure, however, is removed from the "Institutional Support" data here since it is presented separately.

"Summer Session" operation includes "quarter system cycling" expenditures in 1969/70.

California Community Colleges

Overview. From 1958/59 until adoption of the *Budget and Accounting Manual* by the Board of Governors in December 1973, classification of income and expenditures are presented in accordance with the account classifications prescribed in the California School Accounting Manual, 1964 edition. The Activity Code and Object of Expenditure approach in 1980/81 is based on the California Community Colleges, Taxonomy of Programs (TOP) Manual for instructional activities, and the CCC Budget and Accounting Manual (latest revision, October 1985) for administrative and support activities.

Because of reporting omissions, the following data in the community colleges table are estimates based on other years: "Certificated salaries," 1972/73, 1973/74; 1974/75; "General Fund Balance," 1971/72; "Total Expenditures," 1971/72; ADA, 1974/75.

Sources of General Income

General Income. This excludes governmental funds group (debt service, special revenue, and capital projects), the proprietary funds group (bookstore fund, cafeteria fund, child development fund, farm operations fund, revenue bond project fund, etc.) and the fiduciary funds group (assets held by districts in a trustee or agency capacity for individuals, private organizations, or other governmental units, such as associated student funds, student financial aid, scholarship and loan, etc.). Also excluded are all governmental funds groups and proprietary funds.

Federal funds. This category consists of support for Public Laws 415, 864, 874, and 89-10, the Education Opportunity Act, the forest reserve, portions of the higher education acts, the Job Training Partnership Act, student financial aid, veterans education support, vocational education, and all other federal funds expended by the districts.

Combined State/Federal. This includes vocational education aid, preschool education aid, and "other." The category was discontinued in 1984.

State Funds. This consists of general apportionments, apprenticeship allowance, EOPS allowance, disabled student allowance, other categorical apportionments, the Community College Construction Act funds, deferred maintenance and special repairs support, instructional improvement grants, homeowners property tax relief, other tax relief subventions, revenues from the timber yield tax, trailer coach fees, and all other state revenues for current operations. The state's general apportionment normally represents around 80 to 90 percent of total state funds.

County Funds. This consists of interdistrict transfers for non-district residents, equalization aid offset, sponsored educational projects, and miscellaneous activities. This was discontinued as a category in 1985/86.

Local Support. This includes all property tax revenues (secured and unsecured, and prior year), private contributions/gifts/grants, contract service reimbursements, student fees and charges, sales and rental income, interest income, and miscellaneous sources within the district.

Notes on Specific Sources of Income

Federal Vocational Education Act. This act, passed in 1966 (PL 89-750), provides the largest single source of funds for this purpose to educational institutions in California. It is identified here as one measure for federal support of this important activity.

State General Apportionments. These are derived from a formula identified in statute with the following components: base allotment, with some provisions for inflation, equalization and enrollment growth.

Local Property Taxes. These taxes represent the single largest source of educational and general revenues available to the districts which come from within their territories. Until the enactment of Proposition 13 in 1978, district boards of trustees were responsible for establishing the tax rate which generated the total property tax income for various activities (general revenues, adult education revenues and capital outlay). Since 1978, the state government has been responsible for determining the distribution of property tax revenues for all local entities, including the community colleges. Since the enactment of Proposition 13, property tax revenues have not been a policy issue at the local level, but are merely a "filler" within the legislatively determined apportionment formula.

State Determined Enrollment Fees. These fees were first approved in 1983, although community college students (California residents) had always been subject to numerous other charges which were usually determined by local boards of trustees. This state fee, however, is by far the largest contribution from students and the most important for state policy purposes. Information is derived from the Legislative Analyst's Office, Analysis of the Budget Bill, 1984/85 through 1987/88. Separately identified in CCC, "Fiscal Data Abstract," thereafter.

Notes on Expenditures

Instruction. This category consists of the salaries of certificated and classified personnel categorized under "Instruction," and "Other Expense" under "Instruction" from 1958/59 through the

early 1970's when the Activity/Object Code method was adopted for reporting expenditures. In this code, objects numbered 0100 to 5900 are defined as "Instruction." This definition has been used from 1973/74 to the present. The code definitions are not strictly comparable to the earlier definitions of instruction, so that an adjustment has been made to the earlier calculations. For 1958/59 through 1970/71, the instructional expenditures congruent to the later definition were estimated by multiplying the total "Current Expense of Education" (CEE), which has been consistently defined, by the proportion of CEE represented by "Instructional Expenditures" from 1980/81 through 1989/90, or by .5868.

The Current Expense of Education (ECS 84362c). This category reflects General Fund unrestricted expenditures for certificated salaries, classified salaries, employees' benefits, supplies and materials, other operating expenses and services (since 1974/75, this refers to Object of Expenditure Codes 1000–5000) and equipment replacement (as defined) for instructional and administrative support activities (Activity Codes 0100-6700), less exclusions as identified in the law.

Salaries of Classroom Instructors, is defined in ECS 84362(a) as (a) that portion of salaries for purposes of instruction of students by full-time and part-time instructors employed by the district and (b) all salaries paid to instructional aides employed by the district to assist classroom instructors in classroom instructional tasks. The law also includes the costs of all benefits for instructors and aides.

Administration and Support Services. "Administration" is listed as a separate category in the controller's reports from 1958/59 to 1973/74. Thereafter, the category consists of instructional administration, instructional support services, admissions and records, counseling and guidance, other student services, planning and policy making, and general institutional support services (codes 6000 through 6700, less operation and maintenance of plant code 6600). Again, the new definitions do not perfectly match those earlier.

Plant Operation and Maintenance. This consists of expenditures separately identified from 1958/59 to 1974/75, in the Controller's reports of "General Fund—Expenditures—Junior Colleges." Thereafter, the category consists of those expenditures listed in code 6600 which combines these two measures. The total, however, is comparable over the years. The totals are drawn from Table VIII-7 of the "Fiscal Data Abstract."

Capital Outlay. This includes expenditures listed in the statewide total, Table VIII-7, of the annual "Fiscal Data Abstract."

Total General Expenditures. This Category represents the statewide total, "Total Expenditures and Other Outgo," listed annually in Table VIII-7 of the "Fiscal Data Abstract."

California Student Aid Commission

For 1961/62 to 1965/66, the figures include separately identified agricultural scholarship program. After 1968/69, the awards equal the total number awarded in the California Scholarship Grant Program (Cal Grant A) and the College Opportunity Grant Program (Cal Grant B). While several other programs have been added over the years, these continue to represent 90 percent of the total number of grants awarded.

APPENDIX SEVEN

Enrollment

There are numerous ways whereby enrollment is recorded and reported, depending on the specific purposes. Difficulties and misleading interpretations are inevitable, without great care, when different institutions or systems are compared. Before interpreting any data on higher education which use enrollments, it is essential to understand the different definitions.

When college and university attendance is considered, then *head-count* enrollment, or individual students, is usually the measure. This is not appropriate for budget analysis, however, since it fails to account for the major differences in the number of classes for which students enroll or their different credit loads.

National data reporting efforts—the Higher Education General Information Survey (HEGIS) and the Integrated Postsecondary Education Data Systems (IPEDS)—have developed various standards over the years. Currently, each student taking more than 12 semester units is counted as one *full-time-equivalent student*, and their total is added to: the number of students taking less than 12 units, divided by three.

The State of California also uses the measure full-time-equivalent student, but the method for calculating the total is different for each segment. The University of California uses 30 annual semester units for 1 FTES for undergraduates, calculated according to the level of course taken. The UC calculation for graduate and professional students is much richer than the undergraduate measure. In contrast, the California State University totals all credits generated by all students and divides by 30 semester hours to calculate total FTES.

Until 1990, the California Community Colleges used roughly the same measure of enrollment accounting as the public schools—that is, the "average daily attendance" approach. Each unit of ADA consists of 525 hours of classroom attendance, taken for both credit and noncredit, state-supported enrollments. Education Code section 84750 changed this workload measure in 1990 from ADA to FTES. The attendance accounting approach remains roughly the same, but conversion factors have changed somewhat. Between the years 1988/89 and 1991/92, the average annual ADA was 790,801 compared to the average annual FTES of 828,470. The ratio between these two averages, therefore, is 1.046, which means FTES is larger by this figure (the source for FTES is the Governor's Budget Summary for 1994/95, p. 111).

Because the Center's data base consists of state information, only the State of California definitions of enrollment are used here. As a result, they may differ from other nationally reported measures.

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